Michigan Deptartment of Treasury 496 (2-04)

Audi	ting F er P.A. 2 of 1	Pr(968, a	ocedures Repo	ort						
	ernment Type	;		Local Governme	ont Name OF ST CHARLES		County	SINAW		
Audit Date 3/31/05			Opinion Date 5/4/05		Date Accountant Report Subm 6/9/05	itted to State:				
accordan	ce with the Statement	ne S	inancial statements of this Statements of the Govern or Counties and Local Units	mental Accou	nting Standards Board	(GASB) and th	ne Uniform	Reporting	prepared in	
		lied	with the Bulletin for the Au	dits of Local U	nits of Government in Mi	chigan as revise	2d			
			blic accountants registered			ornguri as revise				
We further	er affirm th	e fo	llowing. "Yes" responses ha			ements, includir	ng the notes	s, or in the	report of	
You must	check the	арр	olicable box for each item b	elow.						
Yes	✓ No	1.	Certain component units/	funds/agencies	s of the local unit are exc	luded from the	financial sta	atements.		
√ Yes	☐ No	2.	There are accumulated of 275 of 1980).	deficits in one	or more of this unit's un	reserved fund	balances/re	tained ear	rnings (P.A.	
Yes	Yes Vo 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).									
Yes	Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.									
Yes	✓ No	5.	The local unit holds depo as amended [MCL 129.91	osits/investmei 1], or P.A. 55 o	nts which do not comply of 1982, as amended [MC	with statutory L 38.1132]).	requiremer	ıts. (P.A. 2	20 of 1943,	
Yes	✓ No	6.	The local unit has been do	elinquent in dis	stributing tax revenues th	at were collecte	ed for anothe	er taxing ı	unit.	
Yes	✓ No	7.	The local unit has violate pension benefits (normal credits are more than the	costs) in the	current year. If the plan	is more than 1	00% funded	and the	ear earned overfunding	
Yes	√ No	8.	The local unit uses cred (MCL 129.241).	it cards and h	nas not adopted an app	licable policy a	s required	by P.A. 2	66 of 1995	
Yes	✓ No	9.	The local unit has not ado	pted an invest	ment policy as required b	oy P.A. 196 of 1	997 (MCL 1	29.95).		
We have	enclosed	the	following:			Enclosed	To Be Forward		Not Required	
The lette	r of comm	ents	and recommendations.			√				
Reports	on individu	al fe	ederal financial assistance	programs (prog	gram audits).				√	
Single Au	udit Repor	s (A	SLGU).						√	
BERTH		,	Firm Name) OMPANY, CPAS							
Street Addr	ess RROW LA	NE			City SAGINAW		State MI	ZIP. 48603		
Accountant	Signature	rj	neth a Bert	hianne			Date 6/9/05	1		

VILLAGE OF ST. CHARLES

Saginaw County, Michigan

FINANCIAL STATEMENTS

March 31, 2005

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	3 4
Fund Financial Statements: Governmental Funds:	
Balance Sheet	5
Governmental Activities	6
Statement of Revenues, Expenditures and Changes in Fund Balances Reconciliation of the Statement of Revenues, Expenditures and Changes in	7
Fund Balances of Governmental Funds to the Statement of Activities	8
Proprietary Funds:	
Statement of Net Assets	9
Statement of Revenues, Expenses, and Changes in Net Assets	10 11
	11
Fiduciary Funds Statement of Net Assets	12
	12
Notes to Financial Statements.	14
Required Supplemental Information:	
Schedule of Pension Plan Funding Progress.	32
Budgetary Comparison Schedule – General Fund	33
Budgetary Comparison Schedule – Special Revenue Fund – Major Street Fund Budgetary Comparison Schedule – Special Revenue Fund – Local Street Fund	34 35
Budgetary Comparison Schedule – Special Revenue Fund – Grant Revolving Loan Fund	36
Other Supplemental Information:	
General Fund:	
Detailed Schedule of Revenues	38
Detailed Schedule of Expenditures	39
Nonmajor Governmental Funds:	
Combining Balance Sheet	43 44
	44
Schedules of Indebtedness	45
Monogoment Letter	47



60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Village Council Village of St. Charles, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of St. Charles, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of St. Charles' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of St. Charles, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of St. Charles' basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

As described in Note 15, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of April 1, 2004.

Berthemene & Co. May 4, 2005



STATEMENT OF NET ASSETS

March 31, 2005

		vernmental Activities	siness-type Activities		Total	<i>C</i>	omponent Units
Assets:							
Cash and cash equivalents	\$	474,574	\$ 420,614	\$	895,188	\$	151,225
Receivables		97,103	88,537		185,640		7,673
Internal balances		171,368	-		171,368		(171,368)
Prepaid items and other assets		15,053	1,960		17,013		-
Inventory		-	25,672		25,672		-
Capital assets:							
Nondepreciable capital assets		62,000	36,327		98,327		-
Depreciable capital assets, net		987,456	 2,037,580		3,025,036		143,237
Total assets		1,807,554	 2,610,690		4,418,244		130,767
Liabilities:							
Accounts payable and accrued expenses		19,629	37,115		56,744		3,495
Long-term liabilities:							
Due within one year		-	35,000		35,000		30,510
Due in more than one year		53,362	 420,000	_	473,362		252,529
Total liabilities		72,991	 492,115		565,106		286,534
Net assets:							
Invested in capital assets, net of related debt		1,049,456	1,618,907		2,668,363		(139,802)
Restricted for:		•			•		, ,
Streets		103,418	-		103,418		-
Unrestricted		581,689	 499,668		1,081,357		(15,965)
Total net assets	\$	1,734,563	\$ 2,118,575	\$	3,853,138	\$	(155,767)

STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

			Program Revenues					
	Expenses			harges for Services	G	perating rants and atributions		t (Expense) Revenue
Functions/Programs PRIMARY GOVERNMENT: Governmental activities:								
General government Public safety	\$	223,045 291,260	\$	14,264 5,781	\$	13,403	\$	(208,781) (272,076)
Public works Health and welfare		344,342 3,200		79,359		172,136		(92,847) (3,200)
Community and economic development Recreation and culture		2,497 77,398		500 9,985		4,751 130		2,754 (67,283)
Total governmental activities		941,742		109,889		190,420		(641,433)
Business-type activities:								
Sewer		194,738		170,954		-		(23,784)
Water		297,632		329,831				32,199
Total business-type activities		492,370		500,785		-		8,415
Total primary government	\$	1,434,112	\$	610,674	\$	190,420	\$	(633,018)
COMPONENT UNITS:								
Downtown development authority	\$	43,501	\$	17,610	\$	-		(25,891)
Local development finance authority		4,360		8,872		-		4,512
Total component units	\$	47,861	\$	26,482	\$		\$	(21,379)

continued

		ernmental ctivities	Business- type Activities		Total	<i>C</i>	omponent Units
Changes in net assets:							
Net (Expense) Revenue	\$	(641,433)	\$ 8,415	\$	(633,018)	\$	(21,379)
General revenues:							
Taxes:							
Property taxes, levied for general purpose		400,705	-		400,705		101,175
Franchise taxes		8,167	-		8,167		-
Grants and contributions not restricted to							
specific programs		231,545	-		231,545		-
Unrestricted investment earnings		7,222	5,505		12,727		1,922
Miscellaneous		17,596	-		17,596		10,903
Special item - Gain on sale of capital asset		1,000			1,000		
Total general revenues		666,235	5,505	_	671,740	_	114,000
Change in net assets		24,802	13,920		38,722		92,621
Net assets, beginning of year		1,709,761	2,104,655		3,814,416	_	(248,388)
Net assets, end of year	\$	1,734,563	\$ 2,118,575	\$	3,853,138	\$	(155,767)

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2005

		General Fund		Major Street Fund		Local Street Fund		Grant Revolving Revolving Fund	Nonmajor Governmental Funds			Total vernmental Funds
Assets:												
Cash and cash equivalents	\$	200,853	\$	47,582	\$	24,488	\$	64,809	\$	79,481	\$	417,213
Taxes receivable		25,968		-		-		-		-		25,968
Accounts receivable		5,146		-		-		-		-		5,146
Special assessments receivable		-		-		-		366		-		366
Notes receivable		-		-		-		301		4,771		5,072
Due from other governmental units		29,893		22,181		8,477		-		-		60,551
Prepaid expenditures		13,095		979		979		-		-		15,053
Advance receivable from												
component unit				-				171,368				171,368
Total assets	\$	274,955	\$	70,742	\$	33,944	\$	236,844	\$	84,252	\$	700,737
Liabilities and Fund Balances:												
Liabilities:												
Accounts payable and accrued	\$	16,966	\$	621	\$	647	\$	-	\$	-	\$	18,234
expenses												
Deferred revenue				-		-		667		4,771		5,438
Total liabilities	_	16,966	_	621	_	647		667		4,771	_	23,672
Fund balances:												
Reserved for:												
Prepaid expenditures		13,095		979		979		_		_		15,053
Long-term advance		_		_		_		171,368		_		171,368
Unreserved:								,- ,-				,
General fund		244,894		_		_		_		_		244,894
Special revenue funds		,0> .		69,142		32,318		64,809		79,481		245,750
Special revenue runus			_	07,112		32,310	_	01,002	_	77,101	_	213,730
Total fund balances		257,989		70,121	_	33,297	_	236,177		79,481		677,065
Total liabilities and fund balances	\$	274,955	\$	70,742	\$	33,944	\$	236,844	\$	84,252	\$	700,737

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2005

Total fund balances for governmental funds		\$	677,065
Total net assets reported for governmental activities in the statement of of net assets is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Governmental capital assets	1,364,787		
Less accumulated depreciation	(529,884)		834,903
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.			5,438
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:			
Compensated absences payable			(53,362)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.			270,519
Net assets of governmental activities		\$ 1	,734,563

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2005

	_	General Fund		Major Street Fund		Local Street Fund		Grant Revolving Loan Fund		Nonmajor overnmental Funds		Total vernmental Funds
Revenues:	Φ.	400 505	Φ.		Φ.		Φ.		Φ.		Φ.	400 505
Taxes	\$	400,705	\$	-	\$	-	\$	-	\$	-	\$	400,705
Licenses and permits		19,255 233,990		102 027		47.207		-		-		19,255
State grants Charges for services		138,773		123,837		47,297		-		-		405,124 138,773
Fines and forfeits		5,781		-		-		-		-		5,781
Interest and rents		,		918		325		- 67		1 225		9,225
		6,580								1,335		
Other revenue	_	30,796	_		_	1,001	_	1,398	_	3,354	_	36,549
Total revenues		835,880	_	124,755	_	48,623	_	1,465		4,689	_	1,015,412
Expenditures:												
Current:												
General government		249,890		-		-		-		-		249,890
Public safety		281,002		-		-		-		-		281,002
Public works		105,452		88,858		125,094		-		-		319,404
Health and welfare		2,700		-		-		-		500		3,200
Community and economic development		1,297		-		-		1,200		-		2,497
Recreation and culture		68,123		_		_		_		_		68,123
Capital outlay	_	110,540			_		_				_	110,540
Total expenditures		819,004		88,858		125,094	_	1,200		500	_	1,034,656
Excess (deficiency) of												
revenues over expenditures		16,876		35,897		(76,471)	_	265		4,189	_	(19,244)
Other financing sources (uses):												
Transfers in		-		-		50,959		-		-		50,959
Transfers out		(20,000)		(30,959)			_					(50,959)
Total other financing sources (uses)		(20,000)		(30,959)		50,959	_					
Net change in fund balances		(3,124)		4,938		(25,512)		265		4,189		(19,244)
Fund balances, beginning of year		261,113		65,183		58,809	_	235,912		75,292	_	696,309
Fund balances, end of year	\$	257,989	\$	70,121	\$	33,297	\$	236,177	\$	79,481	\$	677,065

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

Net change in fund balances - total governmental funds		\$ (19,244)
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	106,691	
Less depreciation expense	(39,467)	67,224
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences payable		(4,736)
The net revenue (expense) of the internal service fund is reported with governmental activities.		 (18,442)
Change in net assets of governmental activities		\$ 24,802

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2005

		Bus	sines	ss-type Activi	ties			ernmental ctivities
		Мај	jor E	Enterprise Fu	ınds		I	nternal
		Sewer Fund		Water Fund		Total		vice Fund- juipment
Assets:								
Current assets:								
Cash and cash equivalents	\$	200,046	\$	220,568	\$	420,614	\$	57,361
Accounts receivable		28,741		50,709		79,450		-
Special assessments receivable		5,065		4,022		9,087		-
Inventory		4,019		21,653		25,672		-
Prepaid expenses		980		980		1,960		
Total current assets		238,851	_	297,932	_	536,783		57,361
Noncurrent assets:								
Capital assets:								
Nondepreciable capital assets		27,278		9,049		36,327		-
Depreciable capital assets, net		807,322	_	1,230,258	_	2,037,580		214,553
Total noncurrent assets		834,600	_	1,239,307		2,073,907		214,553
Total assets		1,073,451		1,537,239	_	2,610,690		271,914
Liabilities:								
Current liabilities:								
Accounts payable								
and accrued expenses		711		17,951		18,662		1,395
Deposits payable		-		18,453		18,453		-
Current portion of long-term debt	_			35,000		35,000		
Total current liabilities		711		71,404		72,115		1,395
Noncurrent liabilities:								
Long-term debt			_	420,000		420,000		
Total noncurrent liabilities				420,000	_	420,000		
Total liabilities		711		491,404		492,115		1,395
Net assets:								
Invested in capital assets,								
net of related debt		834,600		784,307		1,618,907		214,553
Unrestricted		238,140		261,528	_	499,668		55,966
Total net assets	\$	1,072,740	\$	1,045,835	\$	2,118,575	\$	270,519

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2005

	Bus	sines	ss-type Activi	ties			ernmental ctivities	
	Maj	jor E	Enterprise Fu	nds		I	nternal	
	 Sewer Fund		Water Fund		Total	Service Fund Equipment		
Operating revenues:								
Charges for services	\$ 160,298	\$	311,971	\$	472,269	\$	-	
Penalties	10,656		1,284		11,940		-	
Hydrant rental	-		15,700		15,700		-	
Equipment rental	-		-		-		108,286	
Other	 		178		178			
Total operating revenues	 170,954		329,133		500,087		108,286	
Operating expenses:								
Personnel	49,068		47,732		96,800		23,106	
Fringe benefits	24,097		22,443		46,540		4,041	
Supplies	4,390		2,539		6,929		11,430	
Contracted services	5,446		5,733		11,179		340	
Purchase of water	-		104,715		104,715		-	
Telephone	710		1,865		2,575		-	
Dues and membership fees	-		485		485		-	
Education and training	95		200		295		-	
Insurance	3,020		3,236		6,256		7,620	
Utilities	6,556		1,030		7,586		-	
Repair and maintenance	13,576		3,248		16,824		19,113	
Equipment rental	20,124		16,388		36,512		25,000	
Other services and supplies	1,289		510		1,799		658	
Depreciation	 66,367		61,343		127,710		40,627	
Total operating expenses	 194,738		271,467		466,205		131,935	
Operating income (loss)	 (23,784)		57,666		33,882		(23,649)	
Non-operating revenues (expenses):								
Interest income	2,535		2,970		5,505		907	
Other revenue	-		698		698		4,300	
Interest expense	 		(26,165)		(26,165)			
Total non-operating revenues (expenses)	 2,535		(22,497)		(19,962)		5,207	
Net income (loss)	 (21,249)		35,169		13,920		(18,442)	
Net assets, beginning of year	 1,093,989		1,010,666	_	2,104,655		288,961	
Net assets, end of year	\$ 1,072,740	\$	1,045,835	\$	2,118,575	\$	270,519	

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended March 31, 2005

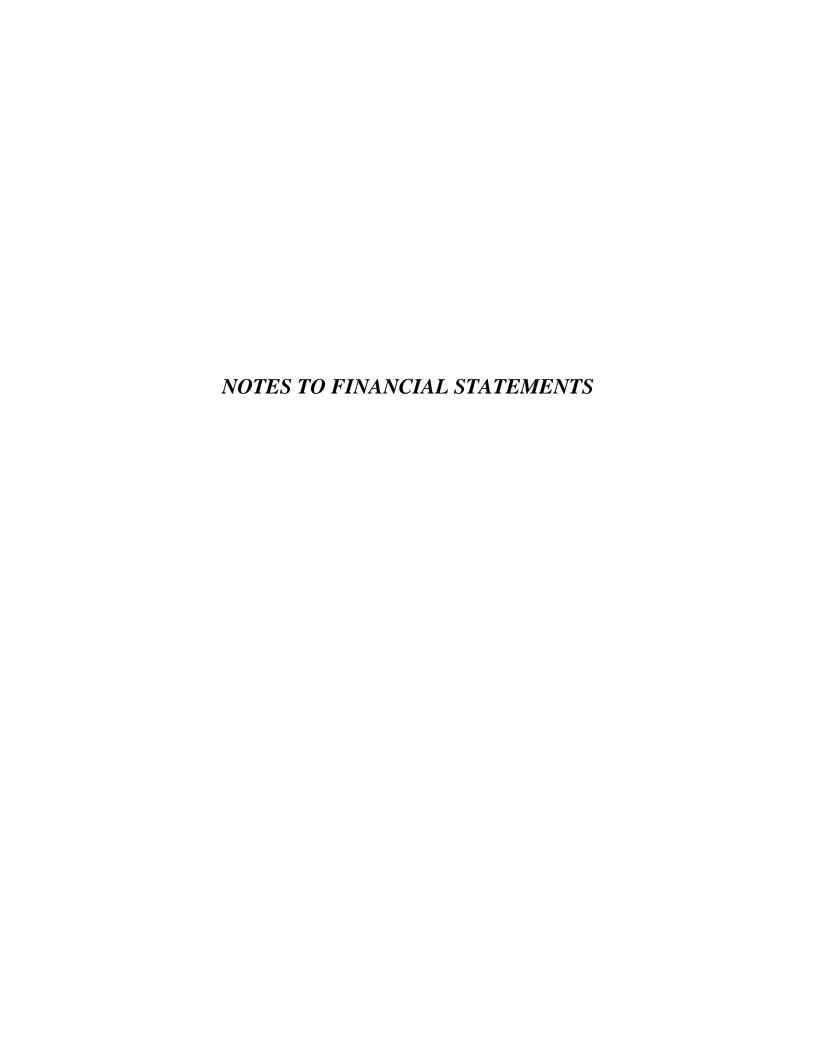
	Bus	sine	ss-type Activit	ties			ernmental ctivities
	Maj	or I	Enterprise Fu	nds		I	nternal
	Sewer Fund		Water Fund		Total		rice Fund- wipment
Cash flows from operating activities:							
Cash received from customers	\$ 178,883	\$	299,227	\$	478,110	\$	_
Cash received from interfund services	-		15,700		15,700		108,286
Cash payments to employees	(49,068)		(47,732)		(96,800)		(23,106)
Cash payments to suppliers for goods and services	 (79,413)	_	(161,849)	_	(241,262)		(67,954)
Net cash provided by operating activities	 50,402		105,346		155,748		17,226
Cash flows from capital and related financing							
activities:							
Acquisition and construction of capital assets	_		_		_		(35,356)
Principal payments	_		(30,000)		(30,000)		-
Interest paid	_		(26,165)		(26,165)		_
Other	-		698		698		4,300
Net cash used by capital and related	 				_		
			(55.467)		(55.467)		(21.056)
financing activities	 	_	(55,467)		(55,467)		(31,056)
Cash flows from investing activities:							
Interest received	 2,535		2,970		5,505		907
Net cash provided by investing activities	 2,535		2,970		5,505		907
Net increase (decrease) in cash and cash equivalents	 52,937	_	52,849		105,786		(12,923)
Cash and cash equivalents, beginning of year	 147,109		167,719		314,828		70,284
Cash and cash equivalents, end of year	\$ 200,046	\$	220,568	\$	420,614	\$	57,361
Reconciliation of operating income (loss) to net cash							
provided by operating activities:							
Operating income (loss)	\$ (23,784)	\$	57,666	\$	33,882	\$	(23,649)
Adjustments:							
Depreciation	66,367		61,343		127,710		40,627
Change in current assets and current liabilities:							
Accounts receivable	6,539		(14,709)		(8,170)		-
Special assessments receivable	1,390		503		1,893		-
Prepaid expenses	(110)		(110)		(220)		-
Accounts payable and accrued expenses	-		771		771		248
Deposits payable	 	_	(118)		(118)		
Net cash provided by operating activities	\$ 50,402	\$	105,346	\$	155,748	\$	17,226

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2005

	Agency Fund
Assets:	
Cash and cash equivalents	\$ 71
Total assets	71
Liabilities:	
Accounts payable and accrued expenses	71
Total liabilities	71
Net assets:	
Unrestricted	
Total net assets	\$ -



NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of St. Charles was incorporated on October 26, 1869. The Village operates on a Council-Manager form of government and provides the following services to approximately 2,300 citizens as authorized by its charter: Public Safety (Police), highways and streets, sanitation, sewer and water, recreation and culture, public improvements, planning and zoning, and general administration.

The accounting policies of the Village of St. Charles conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the Village's reporting entity because of their operational or financial relationship with the Village.

Discretely Presented Component Units - The component units column in the government-wide financial statements includes the financial data of the Village's two component units. These units are reported in a separate column to emphasize that they are legally separate from the Village. The component units are described as follows:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The issuance of bonded debt and levying of taxes by the DDA must be approved by the Village Council. The Village also has the ability to significantly influence operations of the DDA.

Local Development Finance Authority - The members of the governing board of the Local Development Finance Authority (LDFA) are appointed by the Village Council. The issuance of bonded debt and levying of taxes by the LDFA must be approved by the Village Council. The Village also has the ability to significantly influence operations of the LDFA.

Joint Operations - The Village is a member of an inter-governmental agreement to operate a joint water authority with Swan Creek Township and James Township. The Village appoints two members to the joint water authority's governing board. The operating and capital budgets are funded by equal contributions from each government. Each government's share of assets, liabilities, and fund equity is thirty-three percent.

March 31, 2005

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village's net assets resulting from current year activities.

March 31, 2005

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The *General Fund* is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to accounted for in another fund.

The *Major Street Fund* is used to account for the maintenance and construction of the Village's major street system.

The *Local Street Fund* is used to account for the maintenance and construction of the Village's local street system.

The *Grant Revolving Loan Fund* is used to account for the boatworks grant.

March 31, 2005

The Village reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The *Water Fund* is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

<u>Deposits and Investments</u> – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

<u>Interfund Receivables and Payables</u> – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

<u>Inventories and Prepaid Items</u> – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

<u>Capital Assets</u> – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Distribution systems	30-50 years
Equipment	5-10 years
Furniture	5-10 years
Site improvements	20 years
Vehicles	5-7 years

March 31, 2005

<u>Compensated Absences</u> – Each Village employee will be paid for each sick day up to a 48 day maximum at retirement if they have been employed ten years or longer. Employees are paid for 100% of their vacation time at retirement but there is a limit on vacation carryover based on years of service. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

<u>Long-term Obligations</u> – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

<u>Fund Equity</u> – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Property Taxes:

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2004 taxable valuation of the Village totaled \$34,165,956, on which ad valorem taxes levied consisted of 12.8029 mills for the Village's operating purposes.

The delinquent real property taxes of the Village are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

March 31, 2005

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted to obtain taxpayer comments.
- 3. Prior to April 1, the budget is legally enacted by adoption of the Village Council.
- 4. Any revision that alters the total expenditures of any fund must be approved by the Village.
- 5. Formal budgetary integration is employed as a management control device during the year for all funds.
- 6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
- 7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village did not incur expenditures that were in excess of the amounts budgeted.

State Construction Code Act:

The Village oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Village charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2004	\$ -
Current year building permit revenue	11,088
Related expenses:	
Direct costs	(11,543)
Cumulative surplus at March 31, 2005	<u>\$</u>

March 31, 2005

NOTE 3: DEPOSITS AND INVESTMENTS

The Village's deposits and investments at March 31, 2005 are included in the statement of net assets under the following categories:

	Governme		Business-type			tal Primary	Component	
	<u>Activiti</u>		<u>Activities</u>			overnment	<u>Units</u>	
Cash and cash equivalents	\$	474,574	\$	420,614	\$	895,188	\$	151,225

Deposits:

The breakdown between deposits for the Village is as follows:

	Primary <u>overnment</u>	Component <u>Units</u>		
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ \$ 894,964		151,225	
Petty cash and cash on hand	 224		-	
Total	\$ 895,188	\$	151,225	

The deposits of the primary government and component units were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,067,560, of which \$533,647 is covered by federal depository insurance and the remainder was uninsured and uncollaterized. The Village believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

Investments:

State statutes authorize the Village to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a Village.

March 31, 2005

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, or securities held by the Village or its agent in the Village's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Village's name.

The Village had no investments at March 31, 2005.

NOTE 4: CAPITAL ASSETS

Primary Government and Component Unit capital asset activity for the year ended March 31, 2005 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	
Governmental activities:					
Nondepreciable capital assets:					
Land	\$ 62,000	\$ -	\$ -	\$ 62,000	
Depreciable capital assets:					
Buildings and improvements	1,020,600	73,125	-	1,093,725	
Equipment	414,263	15,571	-	429,834	
Site improvements	25,026	9,098	-	34,124	
Vehicles	258,234	44,253		302,487	
	1,718,123	142,047		1,860,170	
Total capital assets	1,780,123	142,047		1,922,170	
Accumulated depreciation	(792,620)	(80,094)		(872,714)	
Depreciable capital assets, net	925,503	61,953		987,456	
Governmental activities, capital assets, net	\$ 987,503	\$ 61,953	<u>\$</u>	\$ 1,049,456	

March 31, 2005

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Nondepreciable capital assets:				
Land	\$ 36,327	\$ -	\$ -	\$ 36,327
Depreciable capital assets				
Buildings and improvements	326,635	-	-	326,635
Equipment	129,334	-	-	129,334
Vehicles	-	-	-	-
Distribution system	4,568,016			4,568,016
	5,023,985			5,023,985
Total capital assets	5,060,312			5,060,312
Accumulated depreciation	(2,858,695)	(127,710)		(2,986,405)
Depreciable capital assets, net	2,165,290	(127,710)		2,037,580
Business-type activities, capital assets, net	\$ 2,201,617	\$ (127,710)	<u>\$ -</u>	\$ 2,073,907
Component units: Depreciable capital assets:				
Buildings and improvements	\$ 170,000	\$ 14,356	\$	\$ 184,356
Accumulated depreciation	(37,400)	(3,719)		(41,119)
Component units, capital assets, net	\$ 132,600	\$ 10,637	\$ -	\$ 143,237

March 31, 2005

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 21,231
Public safety	8,343
Public works	38,736
Recreation and culture	 11,784
Total governmental activities	\$ 80,094
Business-type activities:	
Sewer	\$ 66,367
Water	 61,343
Total business-type activities	\$ 127,710
Component units:	
Downtown Development Authority	\$ 3,719
Total component units	\$ 3,719

NOTE 5: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>		
Primary Government:				
Loans	\$ 5,072	\$ -		
Special assessments	366			
Total	\$ 5,438	\$ -		

The unearned portion is presented in the government-wide financial statements.

March 31, 2005

NOTE 6: LONG-TERM LIABILITIES

The Village may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term liabilities include compensated absences.

Long-term liabilities at March 31, 2005 consisted of the following:

		Interest	Annual Principal	Original Issue	Outstanding	
Types of Indebtedness	Maturity	Rates	Installments	Amount	at Year-End	
Business-type Activities:						
General Obliation Bonds:						
1998 Issue - Water System						
Serial Current Interest Bonds	6/1/05-6/1/17	5.6-5.7%	\$35,000	\$ 665,000	\$ 455,000	
Component Units:						
General Obligation Bonds:						
1999 Issue - Limited Tax Bonds						
Serial Current Interest Bonds	8/1/05-8/1/14	4.8-5.5%	\$20,000-25,000	\$ 325,000	\$ 235,000	
Contracts Payable:						
1994 Contract	3/31/05-3/31/10	4.0%	\$3,361-10,510	\$ 138,000	\$ 48,039	

March 31, 2005

The following is a summary of long-term liabilities transactions for the year ended March 31, 2005:

	Beginning Balance		Additions		Retirements		Ending Balance		Due Within One Year	
Governmental activities:										
Compensated Absences	\$ 48,626	\$	4,736	\$	_	\$	53,362	\$	_	
Total governmental activities										
- long-term liabilities	\$ 48,626	\$	4,736	\$	-	\$	53,362	\$		
Business-type activities:										
General Obligation Bonds:										
1998 Issue	\$ 485,000	\$		\$	(30,000)	\$	455,000	\$	35,000	
Total business-type activities										
- long-term liabilities	\$ 485,000	\$		\$	(30,000)	\$	455,000	\$	35,000	
Component units:										
Bonds and Contracts:										
1999 Issue	\$ 255,000	\$	-	\$	(20,000)	\$	235,000	\$	20,000	
1994 Contract	 57,982				(9,943)		48,039		10,510	
Total component units										
- long-term liabilities	\$ 312,982	\$		\$	(29,943)	\$	283,039	\$	30,510	

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

Year Ended	 Ви	sines	s-type Activi	ties		Component Units																								
March 31,	 Principal	Interest		Interest		Interest		al Interest Tota		Total		Total		Total		Total		Total		Total		Total		Total		Principal		Interest		Total
2006	\$ 35,000	\$	24,605	\$	59,605	\$	30,510	\$	13,530	\$	44,040																			
2007	35,000		22,645		57,645		30,937		12,113		43,050																			
2008	35,000		20,685		55,685		31,384		10,661		42,045																			
2009	35,000		18,725		53,725		36,847		9,055		45,902																			
2010	35,000		16,765		51,765		28,361		7,398		35,759																			
2011-2015	175,000		54,416		229,416		125,000		16,976		141,976																			
2016-2020	 105,000	_	8,968		113,968			_			-																			
	\$ 455,000	\$	166,809	\$	621,809	\$	283,039	\$	69,733	\$	352,772																			

March 31, 2005

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	Governmental <u>Activities</u>		Business-type Activities		
Receivables:					
Taxes	\$	25,968	\$	-	
Accounts		5,146		79,450	
Special assessments		366		9,087	
Notes		5,072		-	
Intergovernmental		60,551		-	
Total receivables	\$	97,103	\$	88,537	
Accounts payable and accrued expenses:					
Accounts	\$	16,041	\$	9,195	
Payroll and related liabilities		3,588		939	
Interest		-		8,528	
Deposits				18,453	
Total accounts payable and accrued expenses	\$	19,629	\$	37,115	

NOTE 8: INTERFUND BALANCES AND TRANSFERS

There were no interfund receivable and payable balances at March 31, 2005.

Interfund transfers reported in the fund statements were as follows:

Funds Transferred From	Funds Transferred To		<u> Imount</u>
General Fund	Local Street Fund	\$	20,000
Major Street Fund	Local Street Fund		30,959
	Total	\$	50,959

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

March 31, 2005

NOTE 9: ADVANCE TO/FROM COMPONENT UNIT

Advance From	Advance To	Amount
Grant Revolving Loan Fund	Component Unit - LDFA	\$ 171,368

NOTE 10: RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has been a member of the Michigan Municipal League sponsored self insurance/public entity risk pools for several years. The Village pays annual premiums to the respective pools for general liability, auto, and workers compensation insurance coverage. The agreements for the formation of the Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund provide that the pools will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of limitations imposed by the pool. The Michigan Municipal General and Auto Liability Fund provides coverage of claims up to \$2 million per occurrence with reinsurance provided to cover amounts in excess of this limit. The Michigan Municipal Workers Compensation Fund provides coverage of claims up to \$500,000 per occurrence with reinsurance provided to cover amounts in excess of this limit.

The Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund have published their own financial reports which can be obtained by contacting the management of each pool.

NOTE 11: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):

Plan Description – The Village participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries.

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiations with the Village Council and personnel policy and requires the Village to contribute at actuarially determined rates; the current rates range from 16.36 to 32.63 percent of eligible payroll based on December 31, 2003 valuation.

March 31, 2005

Annual Pension Costs – For the fiscal year ended March 31, 2005, the Village's annual pension cost of \$73,962 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of March 31, follows:

	2005 2004		2003		
Annual pension cost	\$	73,962	\$ 73,271	\$	69,094
Percentage of APC contributed		100%	100%		100%
Net pension obligation		-	_		-

Post Employment Benefits:

The Village provides health insurance benefits to its retirees. This benefit provides for the cost of the retirees insurance only, and any additional coverage for family members is provided on a reimbursement basis. Currently, there is one retiree receiving this benefit at an annual cost of \$4,633.

The Village is using a pay-as-you-go method to finance this benefit.

Deferred Compensation Plan:

The Village offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years.

NOTE 12: FUND EQUITY

Specific reservations on fund equity include:

<u>Reserved for prepaid expenditures</u> – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

<u>Reserved for long-term advance</u> – This reserve was created to indicate that portion of fund balance representing the advance receivable due from the component unit.

March 31, 2005

NOTE 13: COMPONENT UNITS REPORTING

A condensed statement of net assets for each of the discretely presented component units is shown below. The statement of activities is presented in the government-wide financial statements.

	Local						
	Downtown Development		Total				
				Finance		Component	
Assets:	<u>A</u>	<u>uthority</u>	<u>A</u>	<u>uthority</u>		<u>Units</u>	
Cash and cash equivalents	\$	49,559	\$	101,666	\$	151,225	
Receivables	Ψ	7,578	Ψ	95	Ψ	7,673	
Internal balances - advance to primary government		-		(171,368)		(171,368)	
Capital assets:				, ,		, , ,	
Depreciable capital assets, net		143,237				143,237	
Total assets		200,374		(69,607)		130,767	
Liabilities:							
Accounts payable and accrued expenses		3,495		-		3,495	
Long-term liabilities:							
Due within one year		30,510		-		30,510	
Due in more than one year		252,529				252,529	
Total liabilities		286,534			_	286,534	
Net assets:							
Invested in capital assets, net of related debt		(139,802)		-		(139,802)	
Unrestricted		53,642		(69,607)		(15,965)	
Total net assets	\$	(86,160)	\$	(69,607)	\$	(155,767)	

NOTE 14: DEFICIT FUND BALANCE

The component unit Local Development Finance Authority had a deficit fund balance of \$69,607 at March 31, 2005. The Village has filed a deficit elimination plan with the State of Michigan.

March 31, 2005

NOTE 15: PRIOR PERIOD ADJUSTMENT

Accounting Change:

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments* (Statement). The Village is required to implement the new requirements for the year ended March 31, 2005. The more significant of the changes to the financial statements as a result of the Statement are as follows:

For the first time, the financial statements will include:

- Government-wide financial statements prepared using full accrual accounting for all of the Village's activities.
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental and enterprise funds.

As a result of implementing the Statement, the following restatements were made to beginning fund balance and net asset accounts:

Fund Financial Statements:

The beginning net assets of the enterprise funds and of the internal service funds were derived by aggregating the previously reported retained earnings and contributed capital of those funds.

Government-wide Financial Statements:

Beginning net assets for governmental activities was determined as follows:

Fund balances of general and special revenue funds as of 3/31/04	\$ 696,309
Add: Governmental capital assets, including general fixed assets	1,258,096
Deduct: Accumulated depreciation as of 3/31/04 on above governmental capital assets	(490,417)
Add: Governmental internal service fund net assets as of 3/31/04	288,961
Add: Deferred revenue recognized as revenue as of 3/31/04	5,438
Deduct: Governmental compensated absences payable as of 3/31/04	(48,626)
Governmental net assets, restated, as of 3/31/04	\$ 1,709,761



SCHEDULE OF PENSION PLAN FUNDING PROGRESS

Year Ended March 31, 2005

Actuarial Valuation Date	12/31/2003	12/31/2002	12/31/2001	
Actuarial Value of Assets	\$ 1.414.251	\$ 1,293,608	\$ 1.240.201	
Actuarial Value of Assets Actuarial Accrued Liability (AAL)	2,045,237	1,852,246	1,754,811	
Unfunded AAL (UAAL)	630,986	558,638	514,610	
Funded Ratio	69%	70%	71%	
Covered Payroll	398,060	367,821	357,157	
UAAL as a percentage of covered payroll	159%	152%	144%	

BUDGETARY COMPARISON SCHEDULE

		Budgeted Amounts						Actual er (Under)
		Original		Final	Actual		Final Budget	
Revenues:								
Property taxes	\$	381,720	\$	400,220	\$	400,705	\$	485
Licenses and permits		14,400		14,400		19,255		4,855
State grants		236,250		242,497		233,990		(8,507)
Charges for services		96,558		96,558		138,773		42,215
Fines and forfeits		4,000		4,000		5,781		1,781
Interest and rents		52,035		52,035		6,580		(45,455)
Other revenue		24,800		37,200		30,796		(6,404)
Total revenues		809,763		846,910		835,880		(11,030)
Expenditures:								
Current:								
General government		264,377		264,877		249,890		(14,987)
Public safety		292,488		292,488		281,002		(11,486)
Public works		116,458		116,458		105,452		(11,006)
Health and welfare		2,700		2,700		2,700		-
Community and economic development		3,234		3,234		1,297		(1,937)
Recreation and culture		80,878		80,878		68,123		(12,755)
Capital outlay		106,000		115,000		110,540		(4,460)
Total expenditures		866,135		875,635		819,004		(56,631)
Excess (deficiency) of								
revenues over expenditures		(56,372)		(28,725)		16,876		45,601
Other financing sources (uses):								
Transfers out				(20,000)		(20,000)	-	
Total other financing sources (uses)				(20,000)		(20,000)		
Net change in fund balance		(56,372)		(48,725)		(3,124)		45,601
Fund balance, beginning of year	_	261,113		261,113		261,113		
Fund balance, end of year	\$	204,741	\$	212,388	\$	257,989	\$	45,601

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

	Budgeted Amounts							Actual · (Under)
	-	Original		Final	Actual		Final Budget	
Revenues:	·							
State grants	\$	128,532	\$	128,532	\$	123,837	\$	(4,695)
Interest and rents		700		700		918		218
Total revenues		129,232		129,232		124,755		(4,477)
Expenditures:								
Current: Public works		88,940		96,007		88,858		(7,149)
Public Works		00,940	_	90,007		00,030		(7,149)
Total expenditures	_	88,940	_	96,007		88,858		(7,149)
Excess (deficiency) of								
revenues over expenditures		40,292		33,225		35,897		2,672
Other financing sources (uses):								
Transfers out		(32,133)		(32,133)		(30,959)		(1,174)
Total other financing sources (uses)		(32,133)		(32,133)		(30,959)		(1,174)
Net change in fund balance		8,159		1,092		4,938		3,846
Fund balance, beginning of year		65,183	_	65,183		65,183		
Fund balance, end of year	\$	73,342	\$	66,275	\$	70,121	\$	3,846

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

	Budgeted Amounts						ctual (Under)
	0	Priginal		Final	Actual		l Budget
Revenues:							
State grants	\$	48,296	\$	48,296	\$	47,297	\$ (999)
Interest and rents		200		200		325	125
Other revenue				1,000		1,001	 -
Total revenues		48,496		49,496		48,623	 (874)
Expenditures							
Current:							
Public works		110,460		127,968		125,094	 (2,874)
Total expenditures		110,460		127,968	_	125,094	 (2,874)
Excess (deficiency) of							
revenues over expenditures		(61,964)		(78,472)		(76,471)	 2,000
Other financing sources (uses):							
Transfers in		32,133	_	52,133		50,959	 (1,174)
Total other financing sources (uses)		32,133		52,133		50,959	 (1,174)
Net change in fund balance		(29,831)		(26,339)		(25,512)	826
Fund balance, beginning of year		58,809	-	58,809		58,809	
Fund balance, end of year	\$	28,978	\$	32,470	\$	33,297	\$ 826

SPECIAL REVENUE FUND – GRANT REVOLVING LOAN FUND

BUDGETARY COMPARISON SCHEDULE

	Budgeted Amounts						Actual er (Under)
	(Original	Final		 Actual		al Budget
Revenues:							
Interest and rents	\$	155	\$	155	\$ 67	\$	(88)
Other revenue		26,283		26,283	 1,398		(24,885)
Total revenues		26,438		26,438	 1,465		(24,973)
Expenditures:							
Current:							
Community and economic development		1,200		1,200	 1,200		
Total expenditures		1,200		1,200	 1,200		
Excess (deficiency) of							
revenues over expenditures		25,238		25,238	 265		(24,973)
Net change in fund balance		25,238		25,238	265		(24,973)
Fund balance, beginning of year		235,912		235,912	 235,912		
Fund balance, end of year	\$	261,150	\$	261,150	\$ 236,177	\$	(24,973)



DETAILED SCHEDULE OF REVENUES

Revenues:	
Current taxes:	
Property taxes	\$ 392,225
Administration fees	8,480
	400,705
Licenses and permits:	
Nonbusiness licenses and permits	11,088
CATV franchise fees	8,167
	19,255
State grants:	
Liquor license fees	1,638
State revenue sharing - sales tax	231,545
Other	130
Police grant	677
	233,990
Charges for services:	
Refuse collection fees	79,359
Recreation fees	7,075
Copies	414
Zoning/Variance/Appeals fees	500
Other	1,650
Charges to other funds	5,900
	94,898
Fines and forfeitures:	
Ordinance fines	5,251
Other	530
	5,781
Interest and rents:	
Interest	3,670
Building and computer rental	43,875
Rents	2,910
	50,455
Other revenue:	
Sale of fixed assets	1,000
Contributions and donations	12,200
Other	17,596
	30,796
Total revenues	\$ 835,880

DETAILED SCHEDULE OF EXPENDITURES

Expenditures: General Government:	
Council:	
Personnel	\$ 2,920
Fringe benefits	223
Supplies	20
Memberships and dues	2,258
Conferences and workshops	125
Conferences and workshops	5,546
	3,340
Manager:	21.267
Personnel	31,267
Fringe benefits	9,688
Mileage and expenses	421
	41,376
Clerk:	
Personnel	3,041
Fringe benefits	201
Supplies	51
Mileage and expenses	86
	3,379
Audit:	
Contracted services	1,790
	1,790
Other General Administrative:	
Personnel	23,780
Fringe benefits	39,714
Supplies	4,640
Contracted services	3,490
Memberships and dues	749
Printing and publications	1,459
Insurance	14,150
Repairs and maintenance	5,252
Other	541
	93,775

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Expenditures, continued: General Government, continued:		
Treasurer:		
Personnel	\$	5,314
Fringe benefits	Ψ	405
Supplies Supplies		2,077
Conferences and workshops		35
Other		42
Other		-
		7,873
Buildings and Grounds:		26 140
Personnel		26,149
Fringe benefits		2,466
Supplies Contracted services		1,586 3,600
Telephone		2,798
Insurance		2,796
Utilities		15,418
Repairs and maintenance		7,393
Equipment rental		26,803
Other		20,803
Other		-
		88,909
Attorney:		455
Contracted services		455
		455
Community Activities:		
Contracted services		3,958
Printing and publications		2,829
		6,787
Total general government		249,890
Public Safety:		
Police:		
Personnel		139,314
Fringe benefits		95,336
Supplies		7,517
Contracted services		13,978
Telephone		1,655
Memberships and dues		335
Conferences, workshops, and training		1,166
Insurance		8,285
Repairs and maintenance		1,718
Other		155
		269,459

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Protective Inspection and Regulation: Personnel \$ 9,276 Finge benefits 714 Supplies 42 Contracted services 173 Mileage and expenses 1,321 Conferences and workshops 17 Total public safety 281,002 Public Works: Street Lighting: 28,589 Utilities 28,589 Refuse: 28,589 Contracted services 76,863 Total public works 105,452 Health and Welfare: Other Health and Welfare: Other Health and welfare Community and Economic Development: Personnel Personnel 1,100 Fringe benefits 8 Zoning: 8 Personnel 1,18 Fringe benefits 8 Total community and economic development 1,297	Expenditures, continued:		
Personnel \$ 9,276 Fringe benefits 714 Supplies 42 Contracted services 173 Mileage and expenses 1,21 Conferences and workshops 11,543 Total public safety 281,002 Public Works: Street Lighting: 28,589 Utilities 28,589 Refuse: 76,863 Total public works 105,452 Health and Welfare: Other Health and Welfare: 2,700 Total health and welfare 2,700 Community and Economic Development: 2,700 Funding: 2,700 Personnel 1,100 Fringe benefits 84 Zoning: 2,84 Personnel 1,05 Fringe benefits 8 Fringe benefits 8 Fringe benefits 8 Contracted services 105 Fringe benefits 8			
Fringe benefits 714 Supplies 42 Contracted services 173 Mileage and expenses 1,321 Conferences and workshops 11,543 Total public safety 281,002 Public Works: Street Lighting: Utilities 28,589 Refuse: 76,863 Contracted services 76,863 Total public works 105,452 Health and Welfare: Other 2,700 Total health and welfare 2,700 Total health and welfare 2,700 Community and Economic Development: Planning: 1,100 Fringe benefits 84 Zoning: 1,100 Personnel 1,100 Fringe benefits 84 Fringe benefits 8 Fringe benefits 8 Fringe benefits 8 Total health and welfare: 1,100 Fringe benefits 8 Authority 1,100 Fringe benefits 8		¢.	0.276
Supplies 42 Contracted services 173 Mileage and expenses 1,321 Conferences and workshops 17 Total public safety 281,002 Public Works: Street Lighting: 28,589 Utilities 28,589 Refuse: 76,863 Contracted services 76,863 Total public works 105,452 Health and Welfare: Other Health and Welfare: 2,700 Total health and welfare 2,700 Community and Economic Development: 2,700 Personnel 1,100 Fringe benefits 1,84 Zoning: 2,85 Personnel 1,05 Fringe benefits 1,05 Fringe benefits 1,05 Fringe benefits 8 105 1,05 Fringe benefits 1,05 Fringe benefits 1,05		Э	
Contracted services 173 Mileage and expenses 1,321 Conferences and workshops 17 Total public safety 281,002 Public Works: Street Lighting: 28,589 Utilities 28,589 Refuse: 76,863 Total public works 105,452 Health and Welfare: Other 2,700 Total health and welfare 2,700 Total health and welfare 2,700 Community and Economic Development: 1,100 Pringe benefits 8,4 Zoning: 1,184 Personnel 1,184 Fringe benefits 1,184 Personnel 1,184 Fringe benefits 8 Fringe benefits 1,184			
Mileage and expenses 1,321 Conferences and workshops 11,543 Total public safety 281,002 Public Works: Street Lighting: Utilities 28,589 Refuse: 76,863 Total public works 105,452 Health and Welfare: Other 2,700 Total health and welfare 2,700 Total health and welfare 2,700 Community and Economic Development: Planning: 1,100 Fringe benefits 84 Zoning: 1,184 Personnel 1,05 Fringe benefits 105			
Conferences and workshops 17 11,543 Total public safety 281,002 Public Works: Street Lighting: 28,589 Utilities 28,589 Refuse: 76,863 Contracted services 76,863 Total public works 105,452 Health and Welfare: Other 2,700 Total health and welfare 2,700 Total health and welfare 2,700 Community and Economic Development: 2,700 Fringe benefits 1,100 Fringe benefits 84 Zoning: 1,184 Zoning: 1,184 Fringe benefits 8 Fringe benefits 8 Sersonnel 1,05 Fringe benefits 8			
Total public safety 281,002 Public Works: Street Lighting: 28,589 Utilities 28,589 Refuse: 76,863 Contracted services 76,863 Total public works 105,452 Health and Welfare: Other 2,700 Total health and welfare 2,700 Total health and welfare 2,700 Community and Economic Development: 1,100 Pringe benefits 84 Zoning: 1,184 Zoning: 1,184 Personnel 105 Fringe benefits 8 Fringe benefits 105 Fringe benefits 8			
Total public safety 281,002 Public Works: Street Lighting: 28,589 Utilities 28,589 Refuse: 76,863 Contracted services 76,863 Total public works 105,452 Health and Welfare: Other 2,700 Total health and welfare 2,700 Total health and welfare 2,700 Community and Economic Development: Planning: 1,100 Personnel 1,100 Fringe benefits 84 Zoning: 11,184 Zoning: 8 Personnel 105 Fringe benefits 8 105 8 4 8 4 8 5 8 6 113 7 11 8 11 9 11 10 11 10 11 10 11 1	Conferences and workshops		
Public Works: 28.589 Street Lighting: 28.589 Utilities 28.589 Refuse: 76.863 Contracted services 76.863 Total public works 105.452 Health and Welfare: Other Health and Welfare: 2,700 Total health and welfare 2,700 Total health and welfare 2,700 Community and Economic Development: Planning: 1,100 Fringe benefits 84 Zoning: 1,184 Zoning: 105 Fringe benefits 105 Fringe benefits 105 Fringe benefits 105 Fringe benefits 113		_	11,543
Street Lighting: 28,589 Utilities 28,589 Refuse: 76,863 Contracted services 76,863 Total public works 105,452 Health and Welfare: Other Health and Welfare: 2,700 Other 2,700 Total health and welfare 2,700 Community and Economic Development: Planning: 1,100 Fringe benefits 84 Zoning: 1,184 Personnel 105 Fringe benefits 8 Fringe benefits 8	Total public safety		281,002
Utilities 28,589 Refuse: 76,863 Contracted services 76,863 Total public works 105,452 Health and Welfare: Other 2,700 Total health and welfare 2,700 Total health and welfare 2,700 Total health and welfare 4,100 Fringe benefits 84 Zoning: 1,184 Personnel 105 Fringe benefits 8 Fringe benefits 8 Fringe benefits 8	Public Works:		
Refuse: 76,863 Contracted services 76,863 Total public works 105,452 Health and Welfare: Other Health and Welfare: 2,700 Other 2,700 Total health and welfare 2,700 Community and Economic Development: Planning: 1,100 Fringe benefits 84 Zoning: 1,184 Personnel 105 Fringe benefits 8 Fringe benefits 8 113	Street Lighting:		
Refuse: 76,863 Contracted services 76,863 Total public works 105,452 Health and Welfare: Other Health and Welfare: 2,700 Other 2,700 Total health and welfare 2,700 Community and Economic Development: Planning: 1,100 Fringe benefits 84 Zoning: 1,184 Zoning: 105 Fringe benefits 8 Fringe benefits 8 Fringe benefits 8 Initial 105 Fringe benefits 8	Utilities		28,589
Refuse: 76,863 Contracted services 76,863 Total public works 105,452 Health and Welfare: Other Health and Welfare: 2,700 Other 2,700 Total health and welfare 2,700 Community and Economic Development: Planning: 1,100 Fringe benefits 84 Zoning: 1,184 Zoning: 105 Fringe benefits 8 Fringe benefits 8 Fringe benefits 8 Initial 105 Fringe benefits 8			28,589
Contracted services 76,863 76,863 76,863 Total public works 105,452 Health and Welfare: Other 2,700 Total health and welfare 2,700 Total health and welfare 2,700 Community and Economic Development: Planning: 1,100 Fringe benefits 84 2,700 1,184 Zoning: 1,184 Personnel 105 Fringe benefits 8 Fringe benefits 8 113	Refuse:		
Total public works 76,863 Health and Welfare: Other Health and Welfare: Other 2,700 Total health and welfare 2,700 Community and Economic Development: Planning: 1,100 Personnel 1,100 Fringe benefits 84 Zoning: 1,184 Personnel 105 Fringe benefits 8 Fringe benefits 8 113 113			76.863
Total public works 105,452 Health and Welfare: Other 2,700 Total health and welfare 2,700 Total health and welfare 2,700 Community and Economic Development: Planning: 1,100 Fringe benefits 84 Zoning: 1,184 Personnel 105 Fringe benefits 8 Fringe benefits 8 113			
Health and Welfare: Other Health and Welfare: 2,700 Other 2,700 Total health and welfare 2,700 Community and Economic Development: Planning: 1,100 Fringe benefits 84 Zoning: 1,184 Personnel 105 Fringe benefits 8 Fringe benefits 8			70,003
Other Health and Welfare: 2,700 Other 2,700 Total health and welfare 2,700 Community and Economic Development: 8 Planning: 1,100 Fringe benefits 84 Zoning: 1,184 Personnel 105 Fringe benefits 8 113	Total public works	_	105,452
Other Health and Welfare: 2,700 Other 2,700 Total health and welfare 2,700 Community and Economic Development: 8 Planning: 1,100 Fringe benefits 84 Zoning: 1,184 Personnel 105 Fringe benefits 8 113	Health and Welfare:		
Other 2,700 2,700 2,700 Community and Economic Development: Planning: Personnel 1,100 Fringe benefits 84 2,700 1,100 Fringe benefits 84 2,700 1,100 Fringe benefits 1,184 2,700 105 Fringe benefits 8 113 113			
Total health and welfare 2,700 Community and Economic Development: Planning: Personnel 1,100 Fringe benefits 84 Zoning: 1,184 Personnel 105 Fringe benefits 8 113			2.700
Total health and welfare 2,700 Community and Economic Development: Planning: Personnel Fringe benefits 1,100 Fringe benefits 84 Zoning: Personnel Personnel Fringe benefits 105 Fringe benefits 8			
Community and Economic Development: Planning: 1,100 Personnel 84 In 1,184 1,184 Zoning: 105 Fringe benefits 8 In 13 113			2,700
Planning: 1,100 Personnel 84 1,184 1,184 Zoning: 105 Personnel 8 Fringe benefits 8 113	Total health and welfare		2,700
Planning: 1,100 Personnel 84 1,184 1,184 Zoning: 105 Personnel 8 Fringe benefits 8 113	Community and Economic Development		
Personnel 1,100 Fringe benefits 84 Zoning: 1,184 Personnel 105 Fringe benefits 8 113			
Fringe benefits 84 1,184 Zoning: 105 Personnel 8 Fringe benefits 113	· ·		1 100
1,184 Zoning: Personnel			,
Zoning: Personnel Fringe benefits 105 8 113	Tringe benefits	_	
Personnel 105 Fringe benefits 8 113	Zoning		1,101
Fringe benefits 8 113			105
	Timge continu		
Total community and economic development 1,297			113
	Total community and economic development		1,297

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Expenditures, continued:	
Recreation and Culture:	
Recreation/Parks:	
Personnel	\$ 30,043
Fringe benefits	2,539
Supplies	5,772
Contracted services	1,599
Telephone	352
Insurance	2,325
Utilities	4,134
Repairs and maintenance	4,607
Equipment rental	16,531
Other	221
	68,123
Total recreation and culture	68,123
Capital Outlay:	
General government	84,870
Public safety	24,987
Recreation and culture	683
	110,540
Total expenditures	819,004
Other Financing Uses:	
Transfers to other funds	20,000
	20,000
Total expenditures and other financing uses	\$ 839,004

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

March 31, 2005

	Special Revenue Fund
	Community Home Improvement Program Fund
Assets:	
Cash and cash equivalents	\$ 79,481
Notes receivable	4,771
Total assets	\$ 84,252
Liabilities and Fund Balance:	
Liabilities:	
Deferred revenue	4,771
Total liabilities	4,771
Fund balance:	
Unreserved:	
Special revenue funds	79,481
Total fund balance	79,481
Total liabilities and fund balance	\$ 84,252

NONMAJOR GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	Special Revenue Fund
	Community Home Improvement Program Fund
Revenues:	
Interest and rents	\$ 1,335
Other revenue	3,354
Total revenues	4,689
Expenditures:	
Current:	
Health and welfare	500
Total expenditures	500
Excess (deficiency) of revenues over expenditures	4,189
Net change in fund balance	4,189
Fund balance, beginning of year	75,292
Fund balance, end of year	\$ 79,481

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2005

Saginaw County Water System Improvement Contract

Issued Dated June 18, 1997 in the amount of \$ 665,000

Less: Principal paid in prior years (180,000)

Principal paid in current year (30,000)

Balance payable at March 31, 2005 \$ 455,000

Balance payable as follows:

Fiscal	Fiscal Principal due		ncipal due	Int	erest due	Int	erest due	
Year Ended	<u>Rate</u>		June 1	<u>June 1</u>		<u>December 1</u>		<u>Total</u>
2006	5.60%	\$	35,000	\$	12,793	\$	11,812	\$ 59,605
2007	5.60%		35,000		11,813		10,832	57,645
2008	5.60%		35,000		10,833		9,852	55,685
2009	5.60%		35,000		9,853		8,872	53,725
2010	5.60%		35,000		8,873		7,892	51,765
2011	5.60%		35,000		7,893		6,912	49,805
2012	5.60%		35,000		6,913		5,932	47,845
2013	5.60%		35,000		5,933		4,952	45,885
2014	5.60%		35,000		4,953		3,972	43,925
2015	5.65%		35,000		3,973		2,983	41,956
2016	5.65%		35,000		2,984		1,994	39,978
2017	5.70%		35,000		1,995		997	37,992
2018	5.70%		35,000		998			 35,998
		\$	455,000	\$	89,807	\$	77,002	\$ 621,809

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

SCHEDULE OF INDEBTEDNESS

March 31, 2005

Land Contract Payable

Issued Date	\$ 138,000		
Less:	Principal paid in prior years Principal paid in current year	 (80,018) (9,943)	
Balance pay	yable at March 31, 2005	\$ 48,039	

Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	-	Annual <u>Principal Due</u>		annual e <u>rest Due</u>	<u>Total</u>		
2006	4.00%	\$	10,510	\$	1,730	\$	12,240	
2007	4.00%		10,937		1,303		12,240	
2008	4.00%		11,384		856		12,240	
2009	4.00%		11,847		393		12,240	
2010	4.00%		3,361		23		3,384	
		\$	48,039	\$	4,305	\$	52,344	

1999 General Obligation Limited Tax Bonds

Balance paya	able at March 31, 2005	\$ 235,000	
Less:	Principal paid in prior years Principal paid in current year	 (70,000) (20,000)	
Issue Dated	\$ 325,000		

Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	Principal due <u>August 1</u>		Interest due <u>August 1</u>		Interest due <u>February 1</u>		<u>Total</u>	
2006	4.85%	\$	20,000	\$	6,145	\$	5,655	\$	31,800
2007	4.90%		20,000		5,655		5,155		30,810
2008	5.00%		20,000		5,155		4,650		29,805
2009	5.05%		25,000		4,650		4,012		33,662
2010	5.10%		25,000		4,013		3,362		32,375
2011	5.20%		25,000		3,363		2,706		31,069
2012	5.25%		25,000		2,706		2,043		29,749
2013	5.30%		25,000		2,044		1,369		28,413
2014	5.40%		25,000		1,369		688		27,057
2015	5.50%		25,000		688				25,688
		\$	235,000	\$	35,788	\$	29,640	\$	300,428



60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

MANAGEMENT LETTER

To the Village Council Village of St. Charles, Michigan

We have completed our audit of the financial statements of the Village of St. Charles for the year ended March 31, 2005, and have issued our report thereon dated May 4, 2005. As part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Village's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Village's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Village of St. Charles taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of the Village management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Company

Certified Public Accountants

Bettheume & Co.

May 4, 2005